RBI's Suggestion on NPAs

2972. SHRI C. RAMACHANDRAIAH: Will the Minister of FINANCE be pleased to state:

»

(a) whether it is a fact that RBI expressed its concern over the potential danger of addition to the stock of new Non-Performing Assets;

(b) if so, what are the suggestions made by RBI; and

(c) what are Government's comments thereon?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) Reserve Bank of India (RBI) has reported that as the regulator of the banking system in the country, it is concerned about the additions to the stock of non-performing assets (NPAs) of the banks.

(b) and (c) Government and RBI have been emphasizing the need for proper credit appraisal and the exercise of due caution to prevenj adverse selection of borrowers. Banks have been advised to formulate comprehensive loan policy including appraisal standards/procedures, exposure limits, documentation standards, sectoral exposure limits, delegation of powers review procedure etc. Banks have also been advised to strengthen their risk management system by putting in place institutional framework for identifying, monitoring and management of risk. RBI has put in place a system of circulating amongst the banks and financial institutions, the names of defaulting borrowers of Rs. One crore and above (including suit filed accounts) and those of wilful defaulters of Rs. 25 lakhs and above, which can be used by them while considering the requests for credit limits by such borrowers. Credit Information Bureau has also been set up to disseminate information on borrowers to the banks.